

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Removing International Restricted
Delivery from the Competitive
Product List

Docket No. MC2013-3

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO REMOVE
INTERNATIONAL RESTRICTED DELIVERY
FROM THE COMPETITIVE PRODUCT LIST

(October 25, 2012)

The Public Representative hereby provides comments pursuant to Order No. 1503.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request “to remove International Restricted Delivery from the competitive product list.”² International Restricted Delivery is a service that limits who may receive delivery of an item, with the details of restricted delivery determined by the foreign postal administration in the country of destination.

In support of its Request, the Postal Service filed, among other documents, a Statement of Supporting Justification, prepared by Larry E. Richardson, Manager of Alliance Integration and Support. Request, Attachment B. The Postal Service also filed a non-public Library Reference, USPS-LR-MC2013-3/NP1, presenting historical revenue and volume data.

The Postal Service asserts that removal of International Restricted Delivery from the competitive product list is warranted because of “the low quantity demanded by customers.” Request at 2. Moreover, Mr. Richardson maintains that Section 3633 of

¹ PRC Order No. 1503, Notice and Order Concerning Removal of International Restricted Delivery from the Competitive Product List, October 16, 2012.

² Request of United States Postal Service to Remove International Restricted Delivery from the Competitive Product List, October 11, 2012 (Request), at 1.

the Postal Accountability and Enhancement Act (PAEA) is not implicated by removal of International Restricted Delivery from the competitive product list. Because the Postal Service's Request seeks product removal, the product's ability to cover its own costs "does not inform the instant request," or result in "subsidization of this competitive product by market dominant products." Request, Attachment B at 2.

COMMENTS

The Public Representative does not object to the Postal Service's request to eliminate the competitive International Restricted Delivery service—although doing so seems premature. Moreover, the Public Representative concludes that eliminating this service will comply with the statutory standards applicable to competitive products. 39 U.S.C. 3633(a). Those standards prohibit the subsidization of competitive products by market dominant products; require that each competitive product cover its attributable costs; and require that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

International Restricted Delivery is a special service within the competitive International Ancillary Services product.³ Technically speaking, therefore, International Restricted Delivery is not being "removed" from the competitive product list as it is not a product.⁴ Nevertheless, eliminating International Restricted Delivery will change the service offerings of the International Ancillary Services product, and change the revenue, costs and volumes (transactions) of the product. In financial terms, the change will be small and, as a result, there will be virtually no change in the cost coverage of the competitive International Ancillary Services product.

In FY 2011, the competitive International Ancillary Services product covered costs.⁵ International Restricted Delivery is a relatively small ancillary service as measured by revenue, which represents approximately 0.002 percent of the total

³ As an ancillary special service, International Restricted Delivery may be used only in conjunction with certain competitive shipping and mailing products, such as Outbound Priority Mail International and Outbound Single-Piece First-Class Package International Service.

⁴ For these reasons, the Public Representative will refer to the Postal Service's request as "eliminating" International Restricted Delivery as a service offering of the competitive International Ancillary Services product.

⁵ Annual Compliance Determination Report, FY 2011, Docket No. ACR2011, March 28, 2012, at 157.

revenue of the International Ancillary Services product.⁶ Moreover, as presented in the FY 2011 International Cost and Revenue Analysis (ICRA) report, revenues for International Restricted Delivery service exceeded costs because costs for the service are not separately identified or reported. Instead, such costs are included with the costs of International Return Receipt. *Id.* Assuming, however, that the reported costs for International Return Receipt are caused entirely by International Return Receipt, and therefore would remain after elimination of International Restricted Delivery, the resulting decrease in International Restricted Delivery revenue would reduce the cost coverage of the competitive International Ancillary Services product by approximately 0.004 percent. For these reasons, the Public Representative concludes that eliminating International Restricted Delivery will comply with the standards of 39 U.S.C. 3633(a).

As indicated above, the Postal Service's Request justifies removing International Restricted Delivery because of low customer demand. Request at 2. It adds that "There are no marketplace indicators that demonstrate any propensity for future volume and revenue growth." *Id.* This cryptic comment seems at odds with the historical revenue and volume data for International Restricted Delivery presented in Library Reference USPS-LR-MC2013-3/NP1.⁷ That data shows a revenue increase of nearly 600 percent and a volume increase of nearly 500 percent during the six-year period through FY 2012—albeit from a very low level. Given this substantial increase in revenue and volume, the Public Representative questions whether there might be an increasing level of demand for International Restricted Delivery that would make this ancillary service worthwhile to the Postal Service in light of the continuing growth in competitive shipping and mailing products.

⁶ Docket No. ACR2011, Library Reference USPS-FY11-NP2, Excel file "Reports (Booked).xls" (FY 2011 ICRA).

⁷ In Library Reference USPS-LR-MC2013-3/NP1, a note to the table of revenue and volume data states that all "Numbers are in thousands." This means that the numbers are one-thousand times greater than the revenue and volume figures presented in the ICRA for the fiscal years stated. Rather, it appears that the numbers presented in the library reference are actual. The Public Representative assumes there is simply a misplaced decimal in the library reference volume and revenue data. The Public Representative relies on the volume and revenue figures presented in the ICRA to draw conclusions. Nevertheless, the Public Representative's conclusions presented herein would not change assuming the library reference data are correct.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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